

SEAGULL ENERGY CORPORATION
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August 15, 1996

Mr. David S. Guzy
Chief, Rules and Procedures Staff
Minerals Management Service,
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Seagull Energy Corporation Comments on MMS
Proposal, "Amendments to Gas Valuation Regulations for
Federal Leases." 30 CFR Part 202, 206, and 211; 60 FR
58007 (November 6, 1995) and 61 FR 25421 (May 21, 1996).

Dear Mr. Guzy:

Thank you for reopening the public comment period and allowing the voice of the typical, American energy-producer to be heard regarding this important issue. Seagull Energy Corporation (Seagull) is an independent energy company focused primarily on natural gas. Operations are conducted through three business segments, the most prominent of which involves natural gas exploration and production (E&P). E&P operations in North America are conducted offshore Texas and Louisiana in the Gulf of Mexico and onshore in eastern Texas, northern Louisiana, eastern and western Oklahoma, western Arkansas, the Texas Panhandle and in western Canada. Seagull also is involved in exploration ventures in waters off the east and west coasts of Great Britain and offshore Egypt in the Gulf of Suez. Seagull's Pipeline & Marketing operations involve the marketing of gas, oil and natural gas liquids as well as gas gathering and processing. Seagull is also engaged in engineering, design, construction management and full-service operations of pipelines for various other parties. Seagull's Alaska Transmission & Distribution operations include the operation, as one unit, of a gas transmission system and a gas distribution system serving the greater Anchorage, Alaska metropolitan area.

When the history of the U.S. energy industry is finally written, we believe that Seagull's will be a chapter of success. To this end, Seagull will endeavor to compete wherever opportunities might be found -- creating jobs for America during this era of corporate

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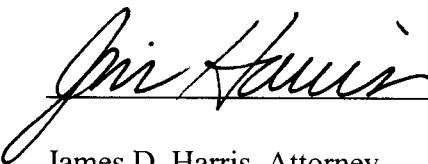
downsizing. Still, it is difficult to imagine how small independents, also seeking to expand and compete in the next century, can achieve the growth necessary to create jobs in light of the Byzantine set of federal royalty regulations that are creating significant barriers to entry into the most promising segments of this industry's future.

The independent producer often must measure the complexity and burden of federal royalty regulations against the simplicity of non-federal leasing. Royalty payments on private lands are regulated only by the oil and gas lease and state law. The private system functions as a result of a carefully evolving jurisprudence -- forged by competing interests -- refined by the judicial system. On the other hand, with regard to federal offshore leases, it seems that MMS is constantly changing the rules on how royalty will be paid. Moreover, it seems that MMS is allowed to re-write all the rules in its favor despite the protracted deliberations of a negotiated rulemaking committee.

We applaud MMS's recent experiment with the Federal Gas Valuation Negotiated Rulemaking Committee. To disregard the collaborative effort and spirit of cooperation between MMS and the regulated community would indeed be a tragic waste and a deterrent to future federal leasing. Accordingly, Seagull Energy Corporation endorses the comments filed herein by American Petroleum Institute (API) as we share in the belief that changes are necessary to (1) achieve simplification, (2) reduce administrative burden, (3) clarify valuation standards, and above all, (4) assure the integrity of the negotiated rulemaking process.

Respectfully submitted,

Seagull Energy Corporation

By: 
James D. Harris, Attorney